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# Reports and Testimony: April 1996

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## Highlights

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### Airline Deregulation

*Average air fares, adjusted for inflation, have fallen since airline deregulation at airports serving small- and medium-sized communities as well as at those serving large cities, but regional differences persist. The largest fare decreases have taken place in the West and the Southwest and the largest increases in the Southeast and Appalachia. Page 34.*

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### Medicare Home Health Benefits

*Since guidelines were relaxed in 1989 on Medicare's home health benefits, program costs have escalated from \$2.7 billion in 1989 to \$12.7 billion in 1994, and costs are projected to reach \$21 billion in 2000. Controls, however, remain almost nonexistent, with few claims subject to review and most claims paid without question. Page 14.*

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### Defense Infrastructure

*The Pentagon expects major savings from streamlining defense infrastructure to pay for new weapons systems. However, GAO found that substantial net savings from infrastructure improvements are unlikely during the next five years. Page 25.*

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# Reports and Testimony: April 1996

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## Agriculture and Food

### **Agricultural Research: Information on Research System and USDA's Priority Setting**

GAO/RCED-96-92, Mar. 28 (92 pages).

For more than a century, U.S. agricultural research, education, and extension activities have been major catalysts in creating a vigorous agricultural economy and a plentiful, low-cost supply of food and fiber. Although each has its own purpose—research, to discover solutions to food and agriculture problems; education, to formally teach future farmers and others in the food and agricultural sector; and extension, to disseminate the results of agricultural research and other information to the public—the functions are closely linked. The Agriculture Department (USDA) spent more than \$2 billion in fiscal year 1994 to support its agricultural research, education, and extension system. This report (1) provides an overview of the system, (2) provides the views of users of agricultural research on the extent to which USDA and the land grant universities are meeting their research needs and on the effectiveness with which research results are being disseminated, and (3) assesses USDA's processes for planning and establishing research priorities.

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## Budget and Spending

### **Impoundments: Proposed Deferrals and Rescissions of Fiscal Year 1996 Budget Authority**

GAO/OGC-96-5, Apr. 16 (six pages).

On February 21, 1996, the President submitted to Congress his second special impoundment message for fiscal year 1996. The message reports three rescissions of budget authority. On February 23, 1996, the President submitted to Congress his third special impoundment message for fiscal year 1996. The message reports one revised deferral and three deferrals of budget authority as well as four proposed rescissions of budget authority. Also, on March 5, 1996, the President submitted to Congress his fourth special impoundment message for fiscal year 1996. The message reports one revised deferral and two proposed rescissions of budget authority. GAO reviewed the deferrals and rescissions in the three special messages and found them to be in accordance with the Impoundment Control Act.

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Testimony

**Budget and Financial Management: Progress and Agenda for the Future**, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight. GAO/T-AIMD-96-80, Apr. 23 (27 pages).

A solid framework for improving the government's financial management has been established during the past six years. This framework consists of (1) the original Chief Financial Officers Act of 1990 and its expansion through the Government Management Reform Act of 1994; (2) the Federal Accounting Standards Advisory Board, created in 1990; and (3) measures to improve the budget process, such as the enactment of credit reform. The next step is to improve the federal budget process to take advantage of accurate and reliable financial information as the basis for sound budget and policy decisions. The Comptroller General urges reform in the following three areas: the budget process, accountability for costs and performance, and the use of improved reports to better inform policy and budget decisions. Improved financial management and reports are essential to improving the government's ability to account for taxpayer dollars. Continuing fiscal pressures will place a premium on the proper stewardship of increasingly scarce public resources. Recent efforts to improve federal financial reporting will, if properly implemented, redress long-standing weaknesses.

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Business, Industry,  
and Consumers

**Small Business Administration:  
SBA Monitoring Problems Identified in Case Studies of 12 SBICS  
and SSBICS**

GAO/OSI-96-3, Apr. 3 (32 pages).

The Small Business Investment Companies (SBIC) and Specialized Small Business Investment Companies (SSBIC) that GAO reviewed engaged in such improper practices as loans to associates, including officers and directors of the licensees; loans for prohibited real estate purchases; and loans to ineligible persons. In addition, the SBICS and SSBICS seldom took timely measures to correct violations after being notified by the Small Business Administration (SBA), nor did SBA ensure that the violations it had identified during examinations had been corrected promptly. Therefore, the same or similar violations were identified during later examinations. Such mismanagement or misconduct may have led to the liquidations or the bankruptcy of some of the SBICS and SSBICS, with the government

picking up the tab. Estimated losses for three of the five companies that have gone into liquidation or bankruptcy have exceeded \$4 million. SBA now examines the performance of SBICS and SSBICS more often, has expanded the comprehensiveness of those examination, and has recently changed its licensing procedures so that new SBICS are more experienced and capitalized. However, GAO has found that SBA had not responded in a timely manner to serious regulatory violations identified during examinations.

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## Economic Development

### **Economic Development: Limited Information Exists on the Impact of Assistance Provided by Three Agencies**

GAO/RCED-96-103, Apr. 3 (32 pages).

The Appalachian Regional Commission, the Commerce Department's Economic Development Administration, and the Tennessee Valley Authority are three of the federal agencies whose programs provide economic development assistance to local communities. Recent congressional debate has centered on the impact of the economic development aid provided by these three agencies and the "performance ratios" they calculate—a comparison of the total dollars invested or planned for an economic development project with the dollars contributed by the agency itself. The performance ratio is seen as a measure of the extent to which other federal, state, local, or private sector investment is attracted to a project as a result of the agency's investment. This report (1) reviews studies that evaluate the impact of economic development of these three agencies' programs and (2) determines how the performance ratios used by the three agencies were calculated.

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## Testimony

Disaster Assistance: Improvements Needed in Determining Eligibility for Public Assistance, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations.

GAO/T-RCED-96-166, Apr. 30 (15 pages).

The Federal Emergency Management Agency's (FEMA) public assistance program funds the repair of public facilities, such as roads, government buildings, utilities, and hospitals, that are damaged by natural disasters. Under the program, FEMA spent more than \$6.5 billion for disasters that

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occurred during fiscal years 1989-94. FEMA may make public assistance grants to state and local governments and nonprofit groups for three general activities: debris removal, emergency protective measures, and permanent restoration. GAO testified that clearer and more-comprehensive criteria for determining eligibility for public assistance would ensure that eligibility determinations were consistent and equitable. To the extent that the criteria were more restrictive, the cost of future public assistance could be reduced. In the 1990s, the potential adverse effects of a lack of clear criteria have become more significant because of (1) an increase in major disasters and (2) the need to use temporary workers with limited training to inspect damage and prepare damage survey reports.

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## Employment

### **Job Training Partnership Act: Long-Term Earnings and Employment Outcomes**

GAO/HEHS-96-40, Mar. 4 (38 pages).

The federal government spends billions of dollars annually to support employment training programs, but little is known about their long-term effect on participants' earnings and employment rates. GAO's analysis found some positive effects of the Job Training Partnership Act—the cornerstone of the federal employment training effort—in the years immediately following training. However, neither employment rates nor earnings were significantly higher for participants than for nonparticipants five years after training. In some earlier years, adults (but not youth) who received training had earnings or employment rates significantly higher than those of the control group. By the fifth year, each of the four treatment groups had earnings and employment rates that were nominally higher than those of the control group. Because none of the fifth-year differences were statistically significant, however, GAO could not attribute the higher earnings to training provided under the act rather than to chance alone.

### **Job Training: Small Business Participation in Selected Training Programs**

GAO/HEHS-96-106, Apr. 29 (67 pages).

Both government and the private sector spend considerable sums to train the nation's workforce. In 1995, the federal government alone spent about \$20 billion on 163 programs that included some aspect of worker training.

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GAO found that large employers were about twice as likely to take advantage of several types of training programs as were small employers. Training programs that require employers to comply with detailed administrative or other paperwork requirements present economic barriers. Small employers may find it too costly to devote the time needed to conform to these requirements. In addition, training programs that focus on workers' general needs rather than on employers' specific skill needs present institutional barriers. Finally, informational barriers may also exist because small employers often know less about the training programs available to them than do larger employers. In GAO's case studies, those programs that focused mainly on employer needs used or actively encouraged consortia, which are organizations of employers, unions, or other interested parties. These consortia provide employment training to employers and, in these particular programs, overcame many of the barriers cited above.

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## Testimony

Employment and Training: Successful Projects Share Common Strategy, by Carlotta C. Joyner, Director of Education and Employment Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-HEHS-96-127, Apr. 18 (12 pages).

Strong foreign competition has underscored the need for a skilled U.S. labor force. It has also focused attention on the many Americans who are unprepared for employment. The federal government earmarked about \$20 billion in fiscal year 1995 for 163 different training programs. GAO visited six projects that had outstanding results, as indicated by project completion rates, job placement and retention rates, and wages. The projects GAO visited differed in many ways, but they shared a common strategy that has four key elements: (1) ensuring that clients were committed to training and getting jobs; (2) removing barriers, such as a lack of child care, that might hinder clients' ability to finish training and get and keep jobs; (3) improving clients' employability skills, such as getting to jobs regularly and on time, working well with others, and dressing and behaving appropriately; and (4) linking occupational skills training with the local labor market. The upshot is that clients are ready, willing, and able to benefit from training and employment programs and move toward self-sufficiency.

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## Energy

### DOE Management: DOE Needs to Improve Its Analysis of Carryover Balances

GAO/RCED-96-57, Apr. 12 (48 pages).

In recent years, Congress has reduced the Energy Department's (DOE) budget request for new obligational authority and has recommended that DOE use balances remaining from prior years' obligational authority that are carried over into the new fiscal year. DOE had \$12 billion in such "carryover balances" from prior years as it began fiscal year 1995. In fiscal year 1995, DOE used nearly \$1 billion in carryover balances to supplement its \$18 billion in new obligational authority. Although DOE needs some carryover balances to pay for commitments made in prior years that have not yet been completed, the agency's large and persistent carryover balances have raised concerns within DOE and Congress that the agency is carrying balances that exceed the minimum needed to support its programs. This report discusses whether (1) DOE has an effective approach to identify the carryover balances that exceed its programs' requirements and may be available to reduce its budget request and (2) opportunities exist to develop a better approach for analyzing these carryover balances.

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## Testimony

Energy R&D: Observations on DOE's "Success Stories" Report, by Allen Li, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Energy and Environment, House Committee on Science. GAO/T-RCED-96-133, Apr. 17 (11 pages).

The Energy Department's (DOE) applied research and development programs support the development (R&D) of technologies that achieve national energy objectives, such as securing future energy supplies. In fiscal year 1995, DOE received about \$1.65 billion—nearly 10 percent of its overall budget—for applied R&D programs. Members of Congress and the Congressional Budget Office have raised concerns about whether the federal investment in these programs is cost-effective. In response, DOE last year published its Success Stories report, which describes 61 technologies developed by its applied R&D programs, highlighting the measurable economic benefits, such as energy savings, produced by each technology. Success Stories makes some valid claims about the benefits of DOE's applied research. However, GAO found problems with the analyses used to support the benefits DOE had cited in 11 out of 15 cases GAO reviewed. The problems ranged from basic mathematical errors to unsupported links between the benefits cited and DOE's role. Although



DOE's applied R&D programs do produce some benefits, GAO does not believe that the report can be used to assess the effectiveness of such programs overall because it describes the "successes" of a very small percentage of the programs that DOE has funded. In addition, Success Stories does not report how much DOE spent to support any of the technologies GAO evaluated.

Energy Department Trade Missions: Authority, Results, and Management Issues, by JayEtta Z. Hecker, Associate Director for International Relations and Trade Issues, before the Subcommittee on Oversight and Investigations, House Committee on Commerce. GAO/T-NSIAD-96-151, Apr. 24 (33 pages).

The Energy Department (DOE) conducts trade missions to help develop energy markets abroad. DOE has reported the results of these trips on the basis of the value of the business agreements signed. The agency cited nearly \$20 billion in potential and finalized agreements signed during the Energy Secretary's four trade missions and follow-up trips, and it later reported more than \$2 billion in finalized deals. In reviewing the finalized deals, GAO found that in some cases, U.S. exports appeared to be substantially less than 50 percent of the projects' total estimated exports. Company representatives that participated in the missions generally supported the Secretary's efforts and the resulting intangible benefits, such as greater credibility, access, and acceleration of projects. Several company officials said that their business agreements would have been completed without DOE involvement. In addition, several management weaknesses plague DOE's trade mission program. DOE's process for acquiring aircraft; recovering expenses from, and approving travel for, nonfederal travelers; and documenting U.S. embassy expenses was weak. New procedures have been introduced to correct these shortcomings, but they have yet to be fully tested in practice.

## Environmental Protection

### **Air Pollution: Limited New Data on Inspection and Maintenance Program's Effectiveness**

GAO/RCED-96-63, Mar. 21 (29 pages).

The Environmental Protection Agency (EPA) issued a new rule in November 1992 requiring 83 of the most seriously polluted areas in 23 states to implement more-stringent programs to test for and reduce vehicle

emissions. EPA data collected before November 1992 suggested that test-and-repair networks, in which inspector/mechanics in the testing stations were allowed to make repairs, were less effective in controlling emissions than were test-only networks. Consequently, EPA decreased by 50 percent the number of credits assigned to test-and-repair networks. Test-only networks continued to receive full credit. Some states and other interested parties questioned the adequacy of the supporting data behind the 50-percent decrease. This report discusses (1) the results of any audits, surveys, or studies done since November 1992 that have a bearing on this decrease and (2) the status of EPA efforts to provide states greater flexibility in designing more-stringent testing programs.

**Superfund:**

**How States Establish and Apply Environmental Standards When Cleaning Up Sites**

GAO/RCED-96-70FS, Mar. 20 (26 pages).

One issue being raised as part of the debate over Superfund reauthorization is whether to revise or eliminate the requirement that hazardous waste site cleanups comply with federal and state standards protecting public health and the environment. Among these standards are numeric limits on the concentrations of toxic chemicals in the environment. Those responsible for cleaning up Superfund sites have raised concerns that complying with these standards can result in more-extensive and costlier cleanups than necessary to safeguard public health. This report discusses whether states, (1) when setting numeric standards, based them on estimates of the human health risks posed by exposure to contaminants and (2) when using such standards, provided the flexibility to adjust the level of cleanup prescribed by the standards to take into account the conditions and risks found at individual hazardous waste sites. GAO also discusses the degree of correspondence between the state and federal standards governing the cleanup of groundwater that could be a source of drinking water.

**Superfund:**

**Number of Potentially Responsible Parties at Superfund Sites Is Difficult to Determine**

GAO/RCED-96-75, Mar. 27 (10 pages).

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Parties responsible for contaminating Superfund sites are liable for the costs of cleaning them up. De minimus parties—those who have contributed only a small amount of low-toxicity waste at a location—can incur legal expenses that may exceed their share of a site's cleanup costs. In addition, parties associated with municipal codisposal landfills—landfills that have received both municipal solid waste and industrial hazardous materials—can incur high legal expenses when disputes over allocating costs arise at these sites. Congress is now considering proposals that would provide relief from liability for site cleanup costs for de minimus parties and parties associated with municipal codisposal landfills. GAO found that determining with any degree of certainty the number of both types of parties is difficult because the Environmental Protection Agency's data on the number of parties at many sites are incomplete. On the basis of the limited information in EPA's database, GAO estimates that as many as 25,000 de minimus parties can be found at 175 nonfederal Superfund sites and that as many as 40,000 potentially responsible parties can be found at 245 nonfederal codisposal landfill sites. Because EPA's data are incomplete, GAO's estimates are likely to be understated.

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## Testimony

Clean Water Act: Use of State Revolving Funds Varies, by Stanley J. Czerwinski, Associate Director for Environmental Protection Issues, before the Subcommittee on VA, HUD, and Independent Agencies, House Committee on Appropriations. GAO/T-RCED-96-140, Apr. 16 (seven pages).

The State Water Pollution Control Revolving Fund Program provides communities with federal assistance to help them build wastewater treatment facilities and thereby meet the requirements of the Clean Water Act. This testimony provides information on (1) how much of their available funds the states have lent for wastewater treatment facilities and related purposes and (2) what impediments states are encountering in making these loans.

Superfund: Non-Time-Critical Removals as a Tool for Faster and Less Costly Cleanups, by Peter F. Guerrero, Director of Environmental Protection Issues, before the Subcommittee on VA, HUD, and Independent Agencies, House Committee on Appropriations. GAO/T-RCED-96-137, Apr. 17 (nine pages).

Since Superfund was created in 1980, the Environmental Protection Agency (EPA) has spent more than \$15 billion but has finished cleaning up

only about 300 of the 1,300 most contaminated sites nationwide. EPA is expanding use of its removal program, which it typically has used to respond only to urgent situations, to conduct major nonemergency cleanups at portions of sites. These non-time-critical removals are quicker than EPA's traditional remedial efforts because they streamline the steps used to study a site's contamination and design a cleanup method. This testimony focuses on three issues: (1) the major benefits and potential disadvantages of using non-time-critical removals, (2) the extent to which such removals can be used in more Superfund cleanups, and (3) the factors that limit the use of such removals.

## Financial Management

### **Defense Business Operations Fund: DOD Is Experiencing Difficulty in Managing Fund's Cash**

GAO/AIMD-96-54, Apr. 10 (32 pages).

Serious cash management problems at the Defense Business Operations Fund (DBOF), which disburses about \$75 billion annually, jeopardize the goal of enhancing military readiness through business operations efficiencies. DBOF managers lack accurate information on cash balances and, to cover cash shortages, have relied on advance billing for work yet to be performed. At the end of fiscal year 1995, the Defense Department had \$2.6 billion in outstanding advance billings; the Navy accounted for nearly \$2 billion of that amount. At the same time, DBOF had about \$1 billion in outstanding accounts receivable that were more than 120 days old and was unable to collect more than \$200 million for completed work because the billing documents did not specify the activities to bill. If these problems are not resolved, DOD may require excessive amounts of cash to pay for ongoing Fund operations, and opportunities for violations of the Antideficiency Act may increase.

### **Financial Audit: U.S. Government Printing Office's Financial Statements for Fiscal Year 1995**

GAO/AIMD-96-52, Apr. 16 (48 pages).

GAO is required to audit the U.S. Government Printing Office's (GPO) financial statements at least once every three years. GAO contracted with the independent public accounting firm Arthur Andersen to audit GPO's financial statements for fiscal year 1995. GAO concurs in Arthur Andersen's

opinion that the statements present fairly, in all material respects, GPO's financial position and the results of its operations and cash flows. GPO maintained effective internal controls over financial reporting, and Arthur Andersen found no instances of noncompliance with laws and regulations that would be reportable under generally accepted auditing standards. The firm did identify several deficiencies in GPO's internal controls and operations, ranging from computer security weaknesses to a failure to regularly reconcile subsidiary ledgers for accounts receivable and payable.

## Government Operations

### **District's Workforce:**

#### **Annual Report Required by the District of Columbia Retirement Reform Act**

GAO/GGD-96-95, Mar. 29 (five pages).

The federal government makes annual payments to the District of Columbia retirement fund for police officers and firefighters. To encourage the District government to control disability retirement costs, these payments must be reduced when disability retirement rates exceed a certain limit. GAO concludes that no reduction is required in the fiscal year 1997 payment to the fund.

### **District of Columbia:**

#### **Information on Health Care Costs**

GAO/AIMD-96-42, Apr. 22 (56 pages).

Recent studies on the District of Columbia's health care system have concluded that the city's health care problems are aggravated by such social factors as high rates of poverty, crime, substance abuse, and unemployment. These factors account for the sizable numbers of persons who do not seek preventive health care and cannot pay for medical treatment, the inappropriate use of D.C. General Hospital for primary care, and the many trauma care patients at area hospitals. To help Congress evaluate various restructuring proposals being considered for the District, this report discusses the District's health care budget and the composition of the District's health care system, including the number of Medicaid recipients and uninsured and the distribution of hospitals and clinics.

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**Workers' Compensation:  
Selected Comparisons of Federal and State Laws**

GAO/GGD-96-76, Apr. 3 (75 pages).

Concerns have been raised that workers' compensation benefits authorized under the Federal Employees' Compensation Act may provide federal workers having job-related injuries with more generous benefits than other federal or state workers' compensation programs. This report compares (1) monetary benefits authorized by the act with those authorized by other workers' compensation laws and (2) other significant benefit provisions of federal and state workers' compensation laws, such as those involving waiting periods, physician choice, and coverage of occupational diseases.

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**Testimony**

**Federal Employee Redress: A System in Need of Reform**, by Timothy P. Bowling, Associate Director for Federal Management and Workforce Issues, before the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. GAO/T-GGD-96-110, Apr. 23 (11 pages).

The redress system for federal workers seeks to protect employees against arbitrary agency actions and prohibited personnel practices, such as discrimination or retaliation for whistle-blowing. But how well is the redress system working, and does it add to or detract from fair and efficient government operations? This testimony makes three main points: First, because of the system's complexity and the various redress mechanisms it affords federal employees, it is inefficient, expensive, and time-consuming. Second, because the system is so strongly protective of the redress rights of workers, it is vulnerable to employees who would take advantage of these protections. Its protracted processes and requirements divert managers from more-productive activities and inhibit some of them from taking legitimate actions in response to performance or conduct problems. Further, the demands of the system put pressure on employees and agencies alike to settle cases—regardless of their merit—to avoid potential costs. Third, alternatives to the current redress system can be found in the private sector and in some parts of the federal government. These alternatives, including a variety of less-formal approaches collectively known as alternative dispute resolution, may be worth further study.

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Congressional Oversight: The General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight. GAO/T-OCG-96-2, Apr. 30 (16 pages).

In 1996, GAO celebrates 75 years of service to Congress. This testimony discusses the important role GAO has played over the years as the "nation's watchdog"—the agency responsible for providing Congress with objective and credible audits and evaluations of executive branch programs and management. Since 1992, GAO has reduced its workforce by one-third to about 3,500 employees—its lowest level since before World War II. Still, GAO, with its cadre of highly skilled professionals, remains a highly productive and effective source of information for Congress. The Comptroller General highlights GAO's success in meeting its mission responsibilities in the midst of downsizing, as well as recent steps GAO has taken to continue to improve its service to Congress.

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## Health

### **Medicare: Home Health Utilization Expands While Program Controls Deteriorate**

GAO/HEHS-96-16, Mar. 27 (52 pages).

Use of the Medicare home health benefit has increased dramatically, with spending rising from \$2.7 billion in 1989 to \$12.7 billion in 1994. Costs are projected to reach \$21 billion by the year 2000. In earlier reports (GAO/HRD-81-155 and GAO/HRD-87-9), GAO cited lax controls over the use of the home health benefit and recommended measures to improve Medicare's ability to detect claims that were not medically necessary or did not meet the coverage criteria. Medicare's escalating home health outlays continue to raise concerns about the extent of benefit abuse. This report examines the factors underlying the growth in the use of the home health benefit. GAO discusses (1) changes in the composition of the home health industry, (2) changes in the composition of Medicare home health users, (3) differences in utilization patterns across geographic areas, (4) incentives to overuse services, and (5) the effectiveness of payment controls in preventing payments for services not covered by Medicare.

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### **Medicaid Long-Term Care: State Use of Assessment Instruments in Care Planning**

GAO/PEMD-96-4, Apr. 2 (14 pages).

GAO examined how publicly funded programs assess the need for home and community-based long-term care for the elderly with disabilities. This care is provided to persons living at home who, because of a chronic condition or illness, cannot care for themselves. Services range from skilled nursing to assistance with day-to-day activities, such as bathing and housekeeping. Under the Medicaid program, 49 states have obtained waivers to provide home and community-based services to low-income elderly persons who would otherwise need institutional care paid for by Medicaid. These states are responsible for developing a care plan tailored to a client's specific needs. A well-designed assessment instrument helps identify all appropriate needs—increasing the likelihood that important aspects of the client's situation will not be overlooked in care planning. Standardized administration of the assessment instrument increases the likelihood that the needs of all clients will be determined in the same way. This report provides information on the (1) comprehensiveness of assessment instruments, (2) uniformity of their administration, and (3) training for staff who do the assessments.

### **European Union Drug Approval: Overview of New European Medicines Evaluation Agency and Approval Process**

GAO/HEHS-96-71, Apr. 5 (21 pages).

With a population of 370 million, the European Union (EU) represents a consumer base that is one-third larger than that of the United States. Moreover, the EU leads the world in the consumption of pharmaceutical products—nearly \$83 billion worth in 1992. The EU recently changed its drug approval procedures and created a new agency—the European Medicines Evaluation Agency—to approve drugs more quickly and efficiently. Advocates of reforming the Food and Drug Administration (FDA) have suggested that the new European model may provide helpful lessons for improving the timeliness of FDA drug approvals. This report (1) determines how the EU now reviews and approves new drug applications and (2) explains why the European Medicines Evaluation Agency was established, how it operates, and how it is financed. GAO notes that because the EU system has been up and running for only a year, it is



too soon to know whether it will enable drug companies to more quickly market their products throughout Europe.

**Medicare:**

**Federal Efforts to Enhance Patient Quality of Care**

GAO/HEHS-96-20, Apr. 10 (48 pages).

In the past decade, Medicare costs have risen on average more than 10 percent per year. Expanding managed care options for Medicare patients has been proposed as a way to contain costs. Concerns have been raised, however, that such changes may undermine the quality of care provided to Medicare beneficiaries. Currently, Medicare reimburses only for care provided in health maintenance organizations and by the fee-for-service sector. This report (1) discusses the present and future strategies of the Health Care Financing Administration, which administers the Medicare program, to ensure that Medicare providers furnish quality health care, in both fee-for-service and health maintenance organization arrangements and (2) provides the views of experts on attributes a quality assurance program should have if more managed care options are made available to Medicare beneficiaries.

**Testimony**

Medicare: Private Payer Strategies Suggest Options to Reduce Rapid Spending Growth, by Janet L. Shikles, Assistant Comptroller General for Health, Education, and Human Services Programs, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HEHS-96-138, Apr. 30 (16 pages).

Improvements to Medicare's traditional fee-for-service program could yield much-needed savings. With better management, this program, which now serves about 90 percent of beneficiaries, could run more efficiently while continuing to serve well the nation's elderly. This means allowing Medicare to use tools similar to those used by private payers to manage health care costs. Negotiated discounts, competitive bidding, preferred providers, case management utilization reviews—these and other tools allow private payers to use market forces to control health care costs. Most, however, are not authorized for general use by the Health Care Financing Administration (HCFA), which runs Medicare. This results in a publicly financed program that pays higher-than-market rates for some goods and services and sometimes pays without question for improbably high bills. Recent HCFA efforts and pending legislation to address these

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problems appear promising. In addition, HCFA should test the feasibility of applying management strategies in high-cost high-utilization areas. Finally, Congress needs to give the Department of Health and Human Services the flexibility to make prompt price adjustments.

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## Housing

### **Mortgage Financing: FHA Has Achieved Its Home Mortgage Capital Reserve Target**

GAO/RCED-96-50, Apr. 12 (48 pages).

Borrowers with mortgage loans insured by the Federal Housing Administration (FHA) pay insurance premiums, which are deposited into the Department of Housing and Urban Development's Mutual Mortgage Insurance Fund. FHA-insured Fund mortgages were valued at about \$305 billion as of September 1994. Although the Fund has traditionally been self-sufficient, it began to suffer substantial losses during the 1980s, mainly because foreclosures on single-family homes supported by the Fund were high in areas experiencing difficult times economically. To help place the Fund on a financially sound basis, legislative reforms, such as requiring FHA borrowers to pay more in premiums, were made in November 1990. This report (1) estimates, under different economic scenarios, the Fund's economic net worth as of the end of fiscal year 1994; (2) assesses the Fund's progress in achieving the legislatively mandated capital reserve ratio that expresses economic net worth as a percentage of insurance-in-force; and (3) compares GAO's estimate of the Fund's economic net worth with the estimate prepared for FHA by Price Waterhouse.

### **Property Disposition: HUD's Illinois State Office Incurred Unnecessary Management Expenses**

GAO/RCED-96-52, Apr. 22 (10 pages).

Although the Department of Housing and Urban Development (HUD) cannot control all the costs associated with buying and selling foreclosed single-family properties, it can avoid or minimize some of the costs of managing them. GAO reviewed HUD's Single-Family Property Disposition Program in the Illinois State Office and found that the Illinois State Office had spent thousands of dollars unnecessarily on water and sewer services, as well as for tax penalties, lost properties, and increased costs to recover

properties from the new owners. Nationwide, HUD could be wasting large amounts of money. GAO supports efforts by the Illinois State Office to better track unpaid taxes, which would help avoid future tax liens and lost properties.

## Income Security

### **Public Pensions:**

#### **State and Local Government Contributions to Underfunded Plans**

GAO/HEHS-96-56, Mar. 14 (19 pages).

State and local governments with underfunded pension plans risk tough budget choices in the future if they do not make progress toward full funding. Their taxpayers will face a liability for benefits earned by current and former government workers, forcing these governments to choose between reducing future pension benefits or raising taxes. Funding of state and local pension plans has improved significantly since the 1970s. After adjusting for inflation, the amount of the unfunded liability has been cut in half. Still, in 1992, 75 percent of state and local government pension plans in the Public Pension Coordinating Council survey were underfunded; 38 percent were less than 80 percent funded. Sponsors of slightly more than half of the plans in the survey made contributions on schedule to pay off any unfunded liability. One-third of the pension plans, however, were underfunded in 1992 and were not receiving the actuarially required sponsor contributions. Of all plans with complete data, one-fifth were underfunded and were not receiving full contributions in both 1990 and 1992.

### **Social Security:**

#### **Issues Involving Benefit Equity for Working Women**

GAO/HEHS-96-55, Apr. 10 (67 pages).

When the social security program was established in the 1930s, less than 15 percent of married women held paying jobs outside the home; today, about 60 percent of married women are paid workers. Despite the movement of women into the labor market, the social security benefit structure has remained essentially unchanged over the years. The fairness of the benefit structure has come under increasing scrutiny, especially as it affects women who have earned benefits in their own right. For example, a two-earner couple will receive lower combined benefits in retirement than an identical one-earner couple. Also, a married woman who works

and pays social security taxes might not, because of the dual entitlement limitation, receive higher benefits than if she had never worked and received only a spousal benefit. Several proposals seek to remedy these inequities. These include two broad proposals—"earnings sharing" and a "double-decker" plan—and several more-narrow proposals, such as reducing spousal benefits. None of the measures has been adopted, however, partly because they would either boost program costs or reduce benefits for some beneficiaries. Their enactment could also impose a large administrative burden on the Social Security Administration.

**Supplemental Security Income:  
Some Recipients Transfer Valuable Resources to Qualify  
for Benefits**

GAO/HEHS-96-79, Apr. 30 (16 pages).

Existing law does not prohibit people from transferring resources to qualify for benefits under the Supplemental Security Income program—the largest cash assistance program for the poor and one of the fastest growing entitlement programs. Between 1990 and 1994, 3,500 Supplemental Security Income recipients transferred assets, including cash, houses, land, and other items, valued at \$74 million. Transfer values ranged as high as \$800,000; most transfers fell between \$10,000 and \$25,000. The total amount of resources transferred, however, is likely to be larger than GAO's estimate because the Social Security Administration (SSA) is not required to verify the accuracy of resource transfer information, which is self-reported by individuals. Moreover, because the information is self-reported, SSA is unlikely to detect unreported transfers. Without a transfer-of-resource restriction, Supplemental Security Income recipients who transferred assets to qualify for benefits would receive nearly \$8 million in benefits in the 24 months after they transferred resources. Many of these recipients could also have received Medicaid acute-care benefits at an annual value of between \$2,800 and \$5,300 per recipient. GAO estimates that from 1990 through 1995, SSA could have saved \$14.6 million with a transfer-of-income restriction similar to that used for Medicaid. Such a restriction could also boost the public's confidence in the program's integrity.

## Information Management

### **Medical ADP Systems: Defense Achieves Worldwide Deployment of Composite Health Care System**

GAO/AIMD-96-39, Apr. 5 (24 pages).

As the backbone of the military's medical operations, the Composite Health Care System—an automated medical system developed by the Defense Department (DOD) at a cost of \$2.8 billion—will provide doctors and nurses with almost instant access to patient information, from medical history to current treatment and vital statistics. DOD should be able to significantly improve operations at its medical facilities while reducing costs. Improved appointment scheduling will increase patients' access to health care, while better access to patient information will save medical personnel time. If DOD is to realize the system's full potential, however, physicians and other health care providers must be able to access the system at all times. Although DOD's backup and recovery plan provides for recovery from disruptions in computer service because of power outages, it does not effectively address major disruptions requiring the repair or the replacement of equipment damaged by a natural disaster. Health care providers have become dependent on the patient data in the system, so any major disruption could result in injury or even death. DOD could greatly reduce this risk by developing a more effective backup and recovery plan for its equipment.

### **Telecommunications Network: NASA Could Better Manage Its Planned Consolidation**

GAO/AIMD-96-33, Apr. 9 (17 pages).

NASA has yet to finalize its strategy for consolidating the management and the operations of its wide-area telecommunications network, although it has made some important decisions. NASA plans to begin consolidating its networks immediately at the Marshall Space Flight Center and procuring services from commercial providers in fiscal year 1998. NASA's decision to consolidate its networks offers the potential for savings. Nevertheless, in adopting its current strategy, NASA neither considered alternatives suggested by officials at centers other than Marshall nor tried to do a complete review of its networking needs to determine how best to satisfy them independently of its ongoing networking activities.

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**USDA Telecommunications:  
More Effort Needed to Address Telephone Abuse and Fraud**

GAO/AIMD-96-59, Apr. 16 (22 pages).

Because of a lack of adequate controls over telephone use, the Agriculture Department (USDA), which spends about \$50 million annually on commercial telecommunications services, is putting itself at risk for fraud and abuse. GAO reviewed bills for all collect calls over a four-month period at USDA offices in the Washington, D.C., area and found that USDA had accepted more than 600 inappropriate collect calls—about half of all collect calls accepted and paid for by the agency during this time—from prisoners. USDA has been aware of collect-calling abuse since 1994 but has not taken adequate steps to stop it. USDA does not generally review telephone bills. As a result, the agency cannot be certain whether international long-distance calls originating from its Washington, D.C., offices—which total tens of thousands of dollars each month—are authorized. GAO found several instances in which persons had placed unauthorized calls to sex and party lines abroad. Moreover, because of weaknesses in a USDA contractor's voice mail equipment, hackers were able to break into USDA's telephone system and make \$40,000 to \$50,000 worth of international long-distance calls. USDA eventually paid the bill, even though the contractor admitted responsibility. USDA has tried to correct some of its telecommunications management weaknesses, including automating its current paper-based billing system so that telephone bills can be verified cost effectively. However, USDA has yet to respond in writing to GAO's recommendations on resolving these problems.

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**International Affairs**

**Foreign Investment:  
Foreign Laws and Policies Addressing National Security Concerns**

GAO/NSIAD-96-61, Apr. 2 (43 pages).

Japan, France, Germany, and the United Kingdom have the authority to block investments for national security reasons, as does the United States. In recent years, however, these five countries have rarely invoked this authority. Some of these countries have established processes for reviewing foreign investment for national security concerns. U.S. defense industry officials said that they had not pursued defense-related direct investment in Japan, France, Germany, or the United Kingdom because of economic factors, such as the size of the defense markets in these nations,

as well as informal barriers, such as domestic company ownership structures. Most countries offer investment incentives, but U.S. defense industry officials did not cite them as a major inducement to invest. U.S. defense industry officials said that they were pursuing access to overseas defense markets through strategies other than foreign direct investment. For example, U.S. defense firms either licensed technology to Japanese companies or made direct sales to Japan. In the three European countries, U.S. companies formed partnerships to compete for projects.

**Overseas Real Estate:  
Millions of Dollars Could Be Generated by Selling Unneeded  
Real Estate**

GAO/NSIAD-96-36, Apr. 23 (38 pages).

The State Department owns more than \$10 billion in real estate at 200 locations overseas. GAO reviewed State's efforts to identify and sell excess or underused real estate and to use the proceeds for other high-priority real property needs. GAO reported in 1995 (GAO/NSIAD-95-73) on the potential budget savings from selling expensive property in Tokyo and on the problems in State's management of properties abroad. This report (1) identifies real estate at other locations that could possibly be sold to provide money to meet other real estate needs, (2) describes problems that State has had in deciding which properties to dispose of, and (3) explains how State uses the proceeds from the properties it does sell.

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**Justice and Law  
Enforcement**

**Drug Control:  
U.S. Heroin Program Encounters Many Obstacles in Southeast Asia**

GAO/NSIAD-96-83, Mar. 1 (39 pages).

Although heroin is not the primary illegal narcotic used in the United States, production, trafficking, and consumption of this drug are growing. Worldwide production of opium has nearly doubled since the late 1980s, and heroin overdoses have increased by 50 percent. Heroin programs in Southeast Asia—except for Burma—have had some success, but U.S. efforts have failed to reduce the flow of heroin from the region because producers and traffickers shift transportation routes and growing areas to countries with inadequate law enforcement or political will. In 1994, Burma accounted for about 87 percent of the opium cultivated in Southeast Asia and about 94 percent of the opium production in the

region. If the flow of heroin from Southeast Asia is to be stopped, opium production in Burma must be addressed. This report discusses why doing this will be difficult. In particular, GAO focuses on the effectiveness of the United Nations Drug Control Program in Burma.

**Use of Force:**

**ATF Policy, Training and Review Process Are Comparable to DEA's and FBI's**

GAO/GGD-96-17, Mar. 29 (125 pages).

In recent years, the Bureau of Alcohol, Tobacco and Firearms (ATF) has come under public criticism and congressional scrutiny, in part due to accusations that ATF agents used excessive force in carrying out their responsibilities. This report discusses (1) ATF's policies on using deadly force; (2) the way in which ATF conveys its policies to its agents; (3) the reasons for and the extent to which ATF uses dynamic entries and the equipment it uses to make them; and (4) ATF's compliance with its procedures for investigating shooting and alleged excessive use-of-force incidents. GAO compares ATF's policy, training, and review process on the use of force with those at the Drug Enforcement Administration and the FBI. GAO summarized this and the following report in testimony before Congress; see:

Alcohol, Tobacco and Firearms: Issues Related to Use of Force, Dealer Licensing, and Data Restrictions, by Norman J. Rabkin, Director of Administration of Justice Issues, before the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. GAO/T-GGD-96-104, Apr. 25 (46 pages).

**Federal Firearms Licensees:**

**Various Factors Have Contributed to the Decline in the Number of Dealers**

GAO/GGD-96-78, Mar. 29 (57 pages).

The Bureau of Alcohol, Tobacco and Firearms (ATF) issues various federal firearms licenses, including those for manufacturers and importers of firearms. This report focuses on federal firearms dealer licenses, which are granted to dealers and pawnbrokers who sell firearms at wholesale or retail and gunsmiths who repair firearms. Federal firearms dealer licenses account for about 90 percent of all federal firearms licenses. Since 1993,



the number of federally licensed firearms dealers has declined significantly. Some groups have raised concerns about the effects of the decline and the factors contributing to it, including the role of ATF. This report discusses (1) the extent and the nature of recent declines in the number of firearms dealers; (2) factors that have affected the recent declines, including whether ATF had a policy to reduce the number of dealers; and (3) the views of pertinent organizations on the advantages and the disadvantages of reducing the number of dealers.

**Terrorism and Drug Trafficking:  
Threats and Roles of Explosives and Narcotics  
Detection Technology**

GAO/NSIAD/RCED-96-76BR, Mar. 27 (22 pages).

Even though conventional X-ray screening falls short in its ability to reveal concealed narcotics and explosives, the Federal Aviation Administration (FAA) and the U.S. Customs Service have lagged in introducing advanced technologies to detect drugs and explosives smuggled aboard commercial aircraft. The intelligence community believes that the threat of terrorism within the United States has grown and that commercial aircraft are likely to remain targets. According to the FBI, terrorist attacks could come from groups that are hard to infiltrate and control. In January 1995, a plot to attack U.S. flights in Asia was discovered. Narcotics trafficking is a continuing problem. Although cocaine has been the main threat since 1985, heroin is an growing concern. Trafficking is most active today along the southwest border of the United States. To counter these threats, FAA recently certified an advanced automated explosive detection system but has not required its deployment. The cost of buying and installing the equipment at the 75 busiest domestic airports could be as high as \$2.2 billion, according to preliminary FAA estimates. Customs has one truck X-ray system at the southwest border to detect narcotics and plans to spend \$38 million to acquire others. Its plans for seaports and the use of mobile systems have not been clearly defined. Other countries, including the United Kingdom and France, are already using advanced technologies to detect explosives and narcotics.

## National Defense

### **Defense Infrastructure: Budget Estimates for 1996-2001 Offer Little Savings for Modernization**

GAO/NSIAD-96-131, Apr. 4 (48 pages).

The Pentagon is counting on large savings from streamlining infrastructure to pay for new weapons systems, but GAO found that substantial net savings from infrastructure improvements, such as base closures and military purchasing reforms, are unlikely during the next five years. In defining "infrastructure," the Defense Department (DOD) has excluded most intelligence; space; and command, control, and communications programs. These programs will cost about \$25 billion in fiscal year 1996. If DOD's objective is to examine all possible infrastructure for savings, it should include these programs. Moreover, some infrastructure costs are hidden in accounts that are supposedly devoted to operations and maintenance and to quality-of-life programs for military personnel. Unless the Pentagon is willing to consider these areas, military overhead will likely remain relatively constant—at 60 percent of DOD's budget—through 2001. This report identifies options to consolidate and reengineer infrastructure that would yield savings of nearly \$12 billion in future years.

### **Army Aviation Testing: Need to Reassess Consolidation Plan**

GAO/NSIAD-96-87, Mar. 15 (16 pages).

The Army decided in 1995 to move Army aviation testing from Edwards Air Force Base, California, to Fort Rucker, Alabama. The Army also decided to retain Yuma Proving Ground. This decision represented a shift from earlier Army studies, which had recommended consolidating all Army aviation testing at Yuma. GAO's analysis confirmed the Army's position that a dual-site consolidation involving Fort Rucker and Yuma provided the greatest short-term savings to the Army and offered significant long-term savings. A single-site consolidation at Yuma also offers significant long-term savings and, according to Army officials, a better environment for future testing. On the other hand, the Defense Department (DOD) has raised questions about whether either option would be the best choice from a DOD-wide perspective. However, the services and DOD have not agreed on how best to downsize and consolidate testing, even though Congress has encouraged them to do so. Given this situation, DOD has an opportunity to explore options with a longer-term DOD-wide

perspective. This will require strong commitment and leadership on the part of top DOD officials.

**Environmental Cleanup:  
Progress in Resolving Long-Standing Issues at the Rocky  
Mountain Arsenal**

GAO/NSIAD-96-32, Mar. 29 (21 pages).

The Rocky Mountain Arsenal, located on 17,000 acres northeast of Denver, is one of the Defense Department's most contaminated installations. The Army manufactured chemical weapons, such as napalm bombs and mustard gas, and conventional munitions at the Arsenal until the 1960s, and it destroyed weapons there through the early 1980s. In addition, from 1952 to 1987 the Army leased part of the Arsenal to the Shell Oil Company, which produced herbicides and pesticides. This report provides information on (1) the status of cleanup efforts at the Arsenal, (2) completion plans for the cleanup, and (3) the cost-sharing arrangement between the Army and Shell.

**Chemical and Biological Defense:  
Emphasis Remains Insufficient to Resolve Continuing Problems**

GAO/NSIAD-96-103, Mar. 29 (42 pages).

U.S. troops remain highly vulnerable to attack from biological and chemical agents because the Defense Department (DOD) has yet to address many shortcomings identified during the Persian Gulf War, including inadequate training, a lack of decontamination kits and other equipment, and a shortage of vaccine stocks. Problems in chemical and biological defense are likely to continue unless DOD designates this area a higher priority. This report discusses (1) DOD's actions to address chemical and biological warfare problems identified during the Persian Gulf War and (2) the current preparedness of U.S. ground forces to operate in a contaminated environment.

**Military Readiness:  
A Clear Policy Is Needed to Guide Management of Frequently  
Deployed Units**

GAO/NSIAD-96-105, Apr. 8 (26 pages).

This report addresses concerns raised by Congress that the length of time that military personnel are spending away from home on deployments—commonly called personnel tempo—has increased and is stressing portions of the military community and harming readiness. GAO discusses (1) U.S. forces' frequency of deployments in recent years; (2) the effect of increased personnel tempo on the readiness of U.S. forces; and (3) Defense Department efforts to mitigate the impact of high personnel tempo, including measures to create systems for measuring personnel tempo.

**Military Bases:  
Closure and Realignment Savings Are Significant, but Not Easily Quantified**

GAO/NSIAD-96-67, Apr. 8 (22 pages).

Savings from military base closures and realignments should be substantial. The Pentagon's accounting systems, however, do not provide Congress with an accurate picture of actual savings. The Defense Department (DOD) is counting on significant savings to pay for a host of initiatives—from force modernization to child care support. DOD will have difficulty funding these programs should the savings fall short of expectations. This report examines cost and savings estimates for past base closures and realignments. GAO discusses (1) the extent to which the Defense Department (DOD) is achieving actual savings from the base closures and realignments and (2) the adequacy of DOD's process for developing the cost and savings estimates reported in its annual budget submissions.

**Defense Contractor Restructuring:  
First Application of Cost and Savings Regulations**

GAO/NSIAD-96-80, Apr. 10 (nine pages).

The National Defense Authorization Act for Fiscal Year 1995 restricts Defense Department (DOD) payments to contractors for costs associated with business combinations. Specifically, the law prohibits payment of restructuring costs, such as those associated with closing facilities and eliminating jobs, until a senior DOD official certifies that projected savings from the restructuring are based on audited data and should reduce DOD's overall costs. This report discusses whether the certification process (1) was carried out in accordance with the interim regulations and

(2) reduced DOD's contract prices. GAO focuses on the United Defense, Limited Partnership business combination of FMC Corporation's Defense Systems Group and Harsco Corporation's BMY-Combat Systems Division—two manufacturers of tracked combat vehicle for the Army. This business combination is particularly significant because restructuring at United Defense could be a model for future DOD restructuring efforts.

### **M1 Tanks**

#### **Status of Proposed Overhaul Program**

GAO/NSIAD-96-100, Apr. 10 (13 pages).

Concerns have been raised in Congress about the absence of a procurement program to modernize the M1 tank fleet beyond the current upgrade of existing tanks and to counter new tank threats. This report discusses whether the (1) current readiness level of the M1 tank is adequate to meet its war-fighting requirements, (2) operating condition of the tanks at the National Training Center is adequate to meet training requirements, and (3) change in repair parts funding harmed unit maintenance. GAO also reports on the status of the Army's proposed M1 tank overhaul program.

### **Combat Air Power:**

#### **Funding Priority for Suppression of Enemy Air Defenses May Be Too Low**

GAO/NSIAD-96-128, Apr. 10 (16 pages).

Although the Pentagon acknowledges that its strategy for airborne suppression of enemy air defenses (SEAD) is critical to military air operations, recent budget decisions may undermine SEAD capability. The Defense Department (DOD) is abandoning deployed SEAD capabilities that have significant military value and has dropped plans to improve SEAD's ability to meet new threats. Despite the potential harm to war-fighting capability, DOD has chosen to (1) retire the F-4G without a comparable replacement, (2) retire the EF-111 and use the less suitable EA-6B for Air Force missions, and (3) curtail funding for other SEAD programs. DOD now recognizes that the decline in SEAD capabilities may increase the vulnerability of friendly aircraft, frustrate the accomplishment of U.S. military objectives, and prolong future wars. Nevertheless, DOD has chosen to support less urgent and more prospective combat air power programs, such as the F-22 aircraft. GAO is concerned that DOD's decisions could

undermine U.S. war-fighting capabilities and may have to be corrected later, at much greater expense and effort.

**Military Exports:  
Offset Demands Continue to Grow**

GAO/NSIAD-96-65, Apr. 12 (40 pages).

This report examines offset requirements associated with military exports. Offsets are the range of industrial and commercial compensation packages offered to foreign governments and companies as inducements to purchase military goods. They include coproduction, technology transfer, training, investment, marketing assistance, and commodity trading. Since the mid-1980s, U.S. firms have entered into offset agreements valued at more than \$84 billion. GAO discusses the (1) ways in which the offset goals and strategies of major buying countries have changed, (2) offset requirements of these countries and the kinds of activities being undertaken to satisfy their requirements, and (3) effects of offsets and the steps that the U.S. government has taken on this matter. GAO focuses on 10 buying countries from the Middle East, Asia, and Europe.

**Acquisition Management:  
Fiscal Year 1995 Waivers of Acquisition Workforce Requirements**

GAO/NSIAD-96-102, Apr. 15 (16 pages).

The Defense Acquisition Workforce Improvement Act was intended to professionalize the Defense Department's (DOD) acquisition workforce by setting requirements for education, training, and experience that were to take effect during a three-year period beginning in October 1991. The act allows DOD officials to waive qualification requirements because of unusual circumstances or an individual's qualifications. During fiscal year 1995, the military services and DOD agencies granted 233 waivers for 231 persons not meeting the training, education, tenure, or experience requirements, compared with fiscal year 1994, when 63 waivers were granted. Of the waivers granted, 83 percent were for persons not meeting the tenure requirements—they had not served the required three-year term in critical acquisition positions because of retirement, promotion, reassignment, or downsizing. Fiscal year 1995 was the first time that tenure waivers outnumbered all other types of waivers. One-third of the 39 waivers that were not related to tenure requirements were for membership in the acquisition corps. By comparison, 19 persons received waivers for

corps membership in fiscal year 1994. Waivers for acquisition experience decreased by 58 percent. Only one waiver was granted for the required Program Management Course and no fulfillment waivers were granted.

**DOD Infrastructure:**

**DOD Is Opening Unneeded Finance and Accounting Offices**

GAO/NSIAD-96-113, Apr. 16 (six pages).

In a September 1995 report (GAO/NSIAD-95-127), GAO evaluated the Defense Department's (DOD) justification and its cost analysis for consolidating more than 300 defense accounting centers into five large existing finance centers and 20 new sites called operating locations. GAO challenged the need for the 20 operating locations because (1) DOD's analysis showed that finance and accounting operations could be consolidated into as few as six; (2) some planned sites, particularly those located on closed or realigned military bases, would cost \$173 million to renovate; and (3) DOD, in arriving at its decision, had not considered additional operating efficiencies expected from business process reengineering initiatives. DOD generally agreed with GAO's findings. This report raises an issue that, in GAO's view, warrants immediate attention: DOD is opening new finance and accounting centers even though its recent analysis shows that they are not needed.

**Acquisition Reform:**

**Efforts to Reduce the Cost to Manage and Oversee DOD Contracts**

GAO/NSIAD-96-106, Apr. 18 (13 pages).

The Defense Department (DOD) contracted with the management consulting firm of Coopers and Lybrand to study the impact of the military's acquisition regulations and oversight requirements on its contracts. Coopers and Lybrand's 1994 report cited more than 120 regulatory and statutory "cost drivers" that increased the prices that DOD paid for goods and services by 18 percent. In response, DOD established a working group to address the issue of cost drivers. The working group is tracking many reforms initiated by DOD to reduce the cost of managing and overseeing DOD contracts. Although DOD expects substantial savings from these reforms, the actual savings may be significantly less than the 18-percent cost premium noted by Coopers and Lybrand. In December 1995, contractors participating in DOD's Reducing Oversight Costs Reinvention Laboratory noted that current measures would yield

savings of only about one percent. DOD said that the one-percent cost savings was based on "work in progress" and that it would be inappropriate to use these results to draw conclusions about DOD's ability to reduce the cost premium. DOD fully expects the savings from laboratory activities to exceed the level reported in December 1995.

**Civilian Downsizing:  
Unit Readiness Not Adversely Affected, but Future Reductions  
a Concern**

GAO/NSIAD-96-143BR, Apr. 22 (40 pages).

The Defense Department (DOD) began its downsizing effort in fiscal year 1988. Since then, DOD has reduced its civilian workforce by about 25 percent, or 284,000 jobs. By the time it finishes its downsizing in fiscal year 2001, DOD will have cut nearly 730,000 jobs, or 35 percent below its strength level in 1987. Civilian downsizing has not harmed military readiness at the installations GAO visited. However, Army installation officials raised concerns about the effects of civilian downsizing on civilian services, such as public works and repair and maintenance. Civilian downsizing has affected the amount of time it takes to repair noncritical equipment, and both Army and Air Force officials said that civilian downsizing had reduced recreational and family services. Officials at all installations were concerned about the effect of downsizing on civilian workforce morale because of limited career and promotion opportunities, job insecurity, and longer working hours. GAO found that the military services lacked a long-term road map to guide civilian reduction decisions to meet future mission requirements. Although the services are developing comprehensive mission strategies to better determine future civilian workforce requirements, most of the civilian reductions will have been completed by the time these strategies are in place.

**Peace Operations:  
Reservists Have Volunteered When Needed**

GAO/NSIAD-96-75, Apr. 26 (26 pages).

U.S. participation in peace operations, such as those in Haiti and the former Yugoslavia, has increased dramatically since the end of the Cold War in 1989. At the same time, fewer active duty forces are available today as a result of defense downsizing, and the Defense Department (DOD) depends on the reserves to play a greater role in peace operations.



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Although authority to order reservists involuntarily to active duty has been available for recent operations in Haiti and Bosnia, DOD will likely have to rely on volunteers to meet some of its future needs. This report discusses (1) whether qualified volunteers have been accessible for recent peace operations, (2) differences among the services in how much they rely on volunteers, (3) factors that affect the availability of volunteers, and (4) any steps being taken by DOD to ensure that volunteers are accessible.

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## Testimony

Defense Depot Maintenance: Privatization and the Debate Over the Public-Private Mix, by David Warren, Director of Defense Management Issues, before the Subcommittee on Military Readiness, House Committee on National Security. GAO/T-NSIAD-96-146, Apr. 16 (19 pages); and

Defense Depot Maintenance: Privatization and the Debate Over the Public-Private Mix, by David Warren, Director of Defense Management Issues, before the Subcommittee on Readiness, Senate Committee on Armed Services. GAO/T-NSIAD-96-148, Apr. 17 (19 pages).

The Pentagon's policy of shifting depot maintenance workloads to the private sector is unlikely to generate expected savings and could worsen excess capacity problems at underused repair facilities. Meanwhile, the Defense Department (DOD) could save \$182 million annually by closing rather than privatizing-in-place the Sacramento and San Antonio Air Logistics Centers. This testimony is a preliminary analysis of DOD's March 1996 report, mandated by Congress, on the military's comprehensive depot maintenance policy. GAO also addresses the allocation of the depot maintenance workload between the public and the private sectors, including ongoing privatization initiatives, such as privatization-in-place. GAO discusses (1) DOD's depot maintenance management model in the post-Cold War era, (2) the extent to which DOD's proposed depot maintenance policy is consistent with congressional direction and guidance, (3) the savings that DOD is anticipating from privatization of depot maintenance activities, and (4) the cost-effectiveness of privatization-in-place as an alternative to closing depots.

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## Tax Policy and Administration

**Tax Administration:**  
**Alternative Strategies to Obtain Compliance Data**

GAO/GGD-96-89, Apr. 26 (17 pages).

In October 1995, the Internal Revenue Service (IRS) decided to postpone indefinitely the 1994 Taxpayer Compliance Measurement Program because of budget concerns. In addition, Congress, taxpayer groups, paid preparers, and others exerted considerable pressure to cancel the program because of its cost to and burden on taxpayers. For more than 30 years, this program has been IRS' primary means for gathering comprehensive and reliable taxpayer compliance data. IRS has used the data to identify areas in which tax law needs to be changed to improve voluntary compliance and to estimate the tax gap and its components. This report determines the effects on IRS' compliance programs of postponing the 1994 Taxpayer Compliance Measurement Program and identifies potential short- and long-term alternatives to the planned Taxpayer Compliance Measurement Program for collecting these data.

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## Testimony

Tax System: Issues in Tax Burden Compliance, by Natwar M. Gandhi, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs, House Committee on Government Reform and Oversight. GAO/T-GGD-96-100, Apr. 3 (19 pages).

Businesses and individuals spend time and money—and sometimes experience frustration—trying to comply with federal, state, and local tax requirements. GAO refers to this experience as the “taxpayer compliance burden.” GAO collected information on the federal tax compliance burden from businesses, tax accountants, tax lawyers, representatives of tax associations, and Internal Revenue Service (IRS) staff. Several themes emerged from GAO's analysis. First, the complexity of the Internal Revenue Code, compounded by the frequency of changes to it, is the driving force behind the compliance burden on companies. Second, a reliable estimate of the overall costs of business tax compliance would be costly and in itself burdensome on companies to obtain. GAO is studying two return-free filing approaches used in other countries to determine whether they reduce the tax compliance burden on individuals. Despite their promise, these approaches may impose burdens on employers, tax preparers, and state tax systems. Moreover, IRS' ability to implement such systems is unclear. Reducing the tax compliance burden on businesses and individuals will be a challenge because of various policy trade-offs, such as revenue impact and taxpayer equity.

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Tax Administration: IRS Tax Debt Collection Practices, by Lynda D. Willis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-96-112, Apr. 25 (15 pages).

The Internal Revenue Service (IRS) confronts major hurdles in collecting tens of billions of dollars in delinquent taxes. As Congress tries to balance the federal budget, these unpaid taxes have become increasingly important as have IRS' collection efforts. GAO testified that IRS could do more to improve its collection practices. Valuable lessons may be gained from IRS' pilot program testing the use of private debt collectors. IRS' improvement efforts are jeopardized by a lack of reliable information on its accounts receivable and the effectiveness of its collection tools, an aged inventory of receivables, outdated collection processes, and antiquated technology. IRS needs a long-term strategy to guide its efforts to improve delinquent tax collection. The key to any improvement lies in having accurate and reliable information. In addition, the private sector may be able to assist IRS by performing some collection activities.

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## Transportation

### **Airline Deregulation: Changes in Airfares, Service, and Safety at Small, Medium-Sized, and Large Communities**

GAO/RCED-96-79, Apr. 19 (84 pages).

The Airline Deregulation Act of 1978 phased out the federal government's control over airfares and services, relying instead on competitive market forces to determine the price, the quantity, and the quality of domestic air service. In an earlier report (GAO/RCED-91-13), GAO indicated that between 1979—the earliest year for which reliable data on fares are available—and 1988, the average fare per passenger mile, adjusted for inflation, fell by nine percent at small-community airports, 10 percent at medium-sized-community airports, and five percent at large-community airports. The largest decreases were at airports in the Southwest, regardless of the community's size. This report (1) updates GAO's analysis of airfare trends and (2) compares changes in the quantity, the quality, and the safety of air service since deregulation at airports serving small, medium-sized, and large communities. GAO summarized this report in testimony before Congress; see:

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Domestic Aviation: Changes in Airfares, Service, and Safety Since Airline Deregulation, by John H. Anderson, Jr., Director of Transportation and Telecommunications Issues, before the Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-96-126, Apr. 25 (17 pages).

**Airport and Airway Trust Fund:  
Effects of the Trust Fund Taxes' Lapsing on FAA's Budget**

GAO/RCED-96-130, Apr. 15 (nine pages).

The Airport and Airway Trust Fund was financed from taxes on domestic and international airline travel, domestic cargo sent by air, and noncommercial aviation fuels. Although these taxes expired at the end of 1995, there is enough money in the Trust Fund to pay for its portion of the Federal Aviation Administration's (FAA) fiscal year 1996 budget. FAA estimates that with no tax receipts, the Trust Fund money available at the end of fiscal year 1996 would total \$600 million. FAA also estimates that the taxes must be reinstated no later than December 1996 to enable the Trust Fund to finance \$6.1 billion of FAA's \$8.1 billion fiscal year 1997 budget as requested, with the General Fund paying for the rest. For each full month beyond December 1996 that passed with no tax receipts, an additional \$550 million would be needed from the General Fund to finance FAA's fiscal year 1997 budget.

**Marine Safety:  
Coast Guard Should Address Alternatives as It Proceeds With  
VTS 2000**

GAO/RCED-96-83, Apr. 22 (39 pages).

Currently, the U.S. Coast Guard and private entities operate radar-based vessel traffic service (VTS) in several U.S. ports. A VTS system employs remote surveillance sensors, such as radar or closed-circuit television, that relay information on maritime traffic conditions to VTS personnel, who pass it on to mariners and the maritime industry by radio. The purpose of these systems is to improve the safe and efficient movement of ships around ports and to protect the environment. The Coast Guard is considering installing VTS systems in as many as 17 ports. The federal government will spend as much as \$310 million to build the proposed expansion, known as VTS 2000, and about \$42 million annually to operate it. The report answers the following four questions: What is the status of the Coast Guard's development of VTS 2000? At ports being considered for VTS 2000, to what extent do major stakeholders support acquiring and

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funding it? If major stakeholders do not support VTS 2000, to what extent are they interested in acquiring and funding other VTS systems? What other issues could affect the establishment of VTS systems that are privately funded? GAO summarized this report in testimony before Congress; see:

Marine Safety: Current Status of the VTS 2000 Program and Key Stakeholders' Views on It, by Gerald L. Dillingham, Associate Director for Transportation and Telecommunications Issues, before the Subcommittee on Coast Guard and Maritime Transportation, House Committee on Transportation and Infrastructure. GAO/T-RCED-96-129, Apr. 25 (10 pages).

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## Testimony

Aviation Safety: Targeting and Training of FAA's Safety Inspector Workforce, by Gerald L. Dillingham, Associate Director for Transportation and Telecommunications Issues, before the Subcommittee on Governmental Management, Senate Committee on Governmental Affairs. GAO/T-RCED-96-26, Apr. 30 (17 pages).

Although accident rates for air travel in the United States are among the lowest in the world and aviation remains one of the safest means of transportation, recent fatal accidents have raised concerns about the safety of air travel. GAO testified that the Federal Aviation Administration (FAA) needs to target the resources of its safety inspection program to the areas of greatest risk. Because of the magnitude of inspectors' workloads, targeting is essential because FAA may never have enough resources to inspect all pilots, aircraft, and facilities. Although FAA has been working since 1991 to develop a \$31 million system to target resources for aviation inspections, data quality problems, such as information on the results of safety inspections, jeopardize the system's potential benefits. During the past decade, GAO and others have reported on problems with the technical training of inspectors, including those performing inspections for which they lacked proper credentials. Inspectors have been unable to take courses that they believe are necessary for them to do their jobs. Cuts in FAA's budget have reduced the money available for technical training by 42 percent during fiscal years 1993-96. FAA projects that it will have a shortfall of \$20 million for technical training that FAA had earlier deemed essential.

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## Veterans Affairs

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### Testimony

VA Health Care: Efforts to Improve Veterans' Access to Primary Care Services, by David P. Baine, Director of Health Care Delivery and Quality Issues, before the Subcommittee on Hospitals and Health Care, House Committee on Veterans' Affairs. GAO/T-HEHS-96-134, Apr. 24 (16 pages).

The Department of Veterans Affairs (VA) runs one of the nation's largest health care systems, including 173 hospitals and 220 clinics. Last year, VA spent about \$16 million serving 2.6 million veterans. This testimony focuses on VA efforts to increase veterans' access to health care. GAO discusses legal, financial, and equity-of-access issues facing VA managers as they try to establish new "access points"—a VA clinic or a VA funded or reimbursed private clinic, group practice, or individual practitioner that is geographically separate from the parent facility. Access points are intended to provide primary care to all veterans and refer those needing specialized services or inpatient stays to VA hospitals.

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### Special Publications

**GAO Reports:**  
**Health, Education, Employment, Social Security, Welfare, and Veterans Issues**

GAO/HEHS-96-123W, Apr. 1996 (19 pages).

This monthly bibliography lists GAO documents on health, education, employment, social security, disability, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents published during the past four months, organized chronologically by subject. Order forms are included, as is a list of subject area experts who can answer questions about specific reports.



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